

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: February 3, 2003

SUBJECT: Fiscal Impact Statement: "Tobacco Tax Amendment Act of 2003"

REFERENCE: Draft Legislation

Conclusion

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan to implement the proposed legislation. No additional staff or resources will be required.

Background

The proposed legislation increases the tax on tobacco products other than cigarettes to 10 percent of the wholesale price of the non-cigarette tobacco products. Currently, non-cigarette tobacco products are taxed at the standard 5.75% sales tax rate. The bill also requires that \$300,000 of the revenues raised by increasing the tax on non-cigarette tobacco products be used annually to fund the proposed Health Care Ombudsman Program.

Financial Plan Impact

Raising the tax on non-cigarette tobacco products will generate an estimated \$300,000 per year in FY 2003 through FY 2006 for a projected fiscal impact of \$1,200,000 over these four years. There will be some costs to implementing this proposed change, but these costs are expected to be negligible.